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RALPH S. SAUL
3030 ONE LOGAN SQUARE
18TH & CHERRY STREETS
P.O. BOX 7716
PHILADELPHIA, PA 19192

215 523-5051
FAX 215 523-5055

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March 15, 2005

Mr. Jonathan Katz
Secretary
Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549-0609

File No. S7-39-04

Dear Mr. Katz:

I submit those comments on proposed Rules GA-5 and 154a-3 that would require boards of SRO's to have a majority of independent directors and standing committees to be composed of all independent directors.

For the reasons stated in the attached letter of November 12, 2003 to Mr. Katz on File No. SR-NYSE-2003-34, I think the proposed rules go much too far in requiring standing committees to have only independent directors.

Sincerely,

Ralph S. Saul

Attachment

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November 12, 2003

Mr. Jonathan G. Katz
Secretary
Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549-0601

File No. SR-NYSE-2003-34

Dear Mr. Katz:

I submit these comments on the proposed rule changes that would amend the NYSE Constitution to implement a series of governance changes at the NYSE.

Under the leadership of its interim chairman, John S. Reed, the Exchange has proposed revolutionary changes in its governing structure. These changes have been proposed with remarkable speed in response to public criticism of the Exchange's governance. It appears likely that the membership of the Exchange will approve these changes at a special meeting on November 18, 2003 and that the Commission will probably approve these changes subject to proposing additional reforms at a later date.

These proposals go a long way towards improving Exchange governance and it would be captious at this point to suggest changes. In any event, under the amended Constitution, the new Board will for the first time have authority concurrent with member owners to change specific provisions relating to governance structure without another membership vote. This provision in itself represents a major advance in governing the Exchange.

My major comment on these proposals is that, in an attempt to insure that regulatory issues are addressed objectively, they make a dramatic change in the Exchange as a self-regulatory organization. Few question the need for a majority of public members on the board of directors, but to exclude all industry members raises the issue: how can self-regulation be effective if the regulated have no participation in its governance? Members of the securities industry can bring to the Exchange board knowledge and insights about markets and the securities business that public board members usually don't have. Securities professionals can more readily perceive problems and propose solutions relating to their business. It is difficult to see how a Board of only public members, meeting only intermittently, can operate isolated from the hurly-burly of the securities markets. Moreover, it is the securities industry which has made the investments in resources over many years in the Exchange as a regulatory institution. Finally, their participation in governance makes regulation more palatable and generates awareness of what regulation is all about.

Based on my experience as Chief Executive Officer of an exchange during a particularly hectic period in the markets, I found member participation essential in addressing regulatory problems. I fear that a board solely of public members will find itself severely handicapped in dealing with regulatory issues despite the presence of an advisory Board of Executives and a regulatory staff that reports solely to it. This major change in self-regulation is being made without full discussion of its possible consequences.

A board of industry representatives is not an adequate substitute for direct participation in exchange governance. Relegating members of the industry to a Board of Executives will not only deprive the Exchange of their active involvement in governing the Exchange but it runs the risk that firms will pursue their economic interest in trading equity securities without exposure to the Exchange's public auction markets. Governance reform should not encourage member firms to turn away from the Exchange as a central marketplace and internalize their order flows for listed equities. The investing public will lose a great deal if these order flows drift away to a variety of fragmented marketplaces.

Chairman Donaldson recently testified before the House Financial Services Capital Markets Subcommittee on the importance of self-regulation to our securities markets. He has wisely pointed out that, without self-regulation, we would have an immense government bureaucracy in Washington that would stifle our markets. For this reason, the Congress sanctioned self-regulation because of the ineffectiveness of direct government regulation of complex and changing securities markets.

It remains to be seen whether this new governing structure will strengthen self-regulation by the New York Stock Exchange. The investing public has an immense stake in insuring that it does.

Sincerely,